

KRW:WLL

OLL 83-1979/2
7 November 1983

MEMORANDUM FOR: Deputy Director of Personnel

FROM:

Liaison Division
Legislative Liaison

STAT

SUBJECT: Congressional Hearing on the
Senior Executive ServiceREFERENCE: Memorandum for DDA from Clair E. George,
OLL 83-1979/1 dated 26 August 1983,
Subject: Civil Service Reform Act of 1978

SUMMARY: The House Committee on Post Office and Civil Service, Subcommittee on Civil Service, conducted a hearing on the Senior Executive Service (SES) on 7 November 1983. Attached for your information are the Witness List, opening statement of the Subcommittee Chairwoman--Ms. Patricia Schroeder (D., CO)--and the statement of the Comptroller General of the United States, Mr. Charles A. Bowsher. Also attached for your information is the gist of a fifteen-minute question-and-answer period between the Chairwoman and Mr. Bowsher. Actual testimony did not differ from the attached statements. Ms. Schroeder was the only Subcommittee Member present.

2. As indicated in the Chairwoman's opening statement, the 7 November 1983 hearing is the first of several that will be held in the process of reviewing the Civil Service Reform Act of 1978. This office will continue to monitor these hearings and report on them as appropriate.

3. My sense of the give-and-take between Ms. Schroeder and Mr. Bowsher is that two current SES practices will be subjected to further and closer scrutiny by this Subcommittee:

--the unlimited accumulation of annual leave; and

--the statutory limitation of 20% of the SES population eligible for bonus payment each year.

On the first issue, Mr. Bowsher characterized the accumulation of annual leave as a "ticking time bomb" that will one day embarrass the Congress. On the second issue, he characterized the 20% bonus limitation as perhaps the weakest feature or severest limitation of the law. He recommended a 50% limit as originally enacted.

4. I encourage your study of the attached. I will continue to monitor this issue and report as appropriate.



STAT

Attachments
As stated

Distribution:

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✓ 1 - C/LEG/OLL [redacted] w/atts

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1 - [redacted] Subject w/atts

1 - [redacted] Chrono w/o atts

STAT

LD/OLL [redacted] (9 November 1983)

STAT

HB Chrono

26 AUG 1983

OLL 83-1979/1

MEMORANDUM FOR: Deputy Director for Administration

FROM: Clair E. George
Director, Office of Legislative Liaison

SUBJECT: Civil Service Reform Act of 1978

REFERENCE: Your Memo of 19 August 1983, Same Subject
(DDA 83-2093)

1. I couldn't agree more with your suggestion that we start looking at the Civil Service Reform Act of 1978 now, with a view towards changes we want to support. STAT

STAT 2. I have charged [] with getting together with [] in his new position, to start the dialogue and to begin to pull together a formal action plan, so that you and I can monitor progress and ensure that the Agency goes about this review in a sensible and effective manner.

3. I'll get us together when Hank and Terry are far enough into this to make our participation meaningful.

15/

Clair E. George

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1 - OLL Record

1 - OLL Chrono

✓ LD/OLL [] (23 August 1983)

Retyped:gg (24 August 1983)

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WITNESS LIST

Hearings on the Senior Executive Service
November 7, 1983

Honorable Charles A. Bowsher
Comptroller General of the United States

OPENING STATEMENT OF REP. PAT SCHROEDER,
CHAIRWOMAN, SUBCOMMITTEE ON CIVIL SERVICE,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
AT HEARINGS ON THE SENIOR EXECUTIVE SERVICE,
NOVEMBER 7, 1983

We are honored to have the Comptroller General of the United States, Charles A. Bowsher, here today to unveil the results of a year of intensive work by the General Accounting Office (GAO) reviewing the operations of the Senior Executive Service (SES).

Today's hearing is the first of a series of hearings this Subcommittee will be holding on the occasion of the fifth anniversary of the establishment of the Senior Executive Service, an event to occur next July. Not only is the five year point a good time to take a look back, but there is also a statutory five year congressional review requirement contained in the Civil Service Reform Act of 1978.

This sunset provision was added to the Reform Act at the behest of our former colleague Gladys Noon Spellman. Representative Spellman wanted to highlight the experimental nature of the SES and wanted to insure probing scrutiny of the program. This Subcommittee is attempting to fulfill the intent of the Spellman amendment and we have sought the help of the GAO in doing so.

In October, 1982, I asked GAO for a comprehensive analysis of the workings of the SES. As you can see from the size of Mr. Bowsher's detailed statement, GAO took the assignment quite seriously.

At the conclusion of today's session, we will print up Mr.

Bowsher's statement and the questions and answers and will distribute them to a broad range of individuals and organizations who are interested in commenting on the SES. At future hearings, these people can use GAO's findings as a starting point for their own critiques of the SES.

Without further comment, I introduce our witness, Comptroller General Bowsher.

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
EXPECTED AT 10:00 a.m.
November 7, 1983

SUMMARY STATEMENT OF CHARLES A. BOWSHER
COMPTROLLER GENERAL OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE
HOUSE POST OFFICE AND CIVIL SERVICE COMMITTEE

ON

AN ASSESSMENT OF THE IMPACT OF
THE SENIOR EXECUTIVE SERVICE

Madame Chairwoman and Members of the Committee:

I am pleased to be here today to discuss our work in response to your request for an overall assessment of the Senior Executive Service (SES). SES, established by the Civil Service Reform Act, has often been called the cornerstone of civil service reform. The act provided for major changes in the management of the government's executive corps designed to achieve improvements in the efficiency, effectiveness, and responsiveness of government operations.

I have a detailed statement which I would like to summarize for you and submit for the record. My testimony today will provide our general observations on SES and highlight some areas that warrant your attention.

We focused our work on four areas in which the act established major goals for SES:

- Executives should be held accountable for government operations, and decisions related to their compensation, retention, and tenure should be based on their performance.
- Agencies need greater flexibility in using their executive resources.
- Executives should be protected from improper political influence.
- Executives' managerial capabilities should be improved.

Our work indicates progress is being made toward achieving the act's goals in these areas. Further progress depends largely on how well the Office of Personnel Management (OPM) and agencies implement the act. We believe there are some areas where improvements can be made.

A brief look at how the SES corps has changed since it was established in July 1979 should provide some perspective for our observations. The size of the SES corps, which includes nearly 6,900 members, has remained fairly stable. From July 1979 to March 1983, there has been a slight decrease in the number of slots allocated to the agencies by OPM, a slight increase in the number of positions established by agencies, and a slight decrease in the number of positions filled. A closer look, however, reveals considerable change. Overall, almost 3,500 career and noncareer SES members have left SES and government service and an additional 200 have retreated to GS-15 positions. More than 40 percent of the career executives who converted to SES in

July 1979 have left--roughly 2,500 of the 3,500 departees. Although we could not identify where all new SES members came from since the inception of SES, we did find that in fiscal year 1983 about 92 percent of all new career SES members came from within the federal government.

I would like to discuss our observations on the four areas in which we focused our work.

EXECUTIVE ACCOUNTABILITY

The act required agencies to implement performance appraisal systems to hold executives accountable for individual and organizational performance and provide a basis for reward and retention decisions. We found that agencies have implemented performance appraisal systems. The systems are used primarily to assess individual performance, but there is no explicit link to organizational performance. Reasons cited by agency officials for the lack of emphasis on linking individual to organizational performance were (1) the lack of performance measurement data and (2) the difficulty in identifying individual contributions to the accomplishment of organizational objectives.

Our review of 1,100 randomly selected performance appraisal plans shows that a majority of the plans (1) did not address the act's appraisal criteria for focusing attention on organizational performance improvement goals, (2) lacked specific statements of expected performance, and (3) were prepared after the beginning of the appraisal cycle and were not updated or revised

when executives' responsibilities changed. In addition, plans were not prepared for a majority of noncareerists. Such shortcomings in performance planning inhibit the effectiveness of SES appraisal systems as tools for managing and improving individual and organizational performance.

Although 71 to 88 percent of senior executives we surveyed generally gave positive responses about their own performance plans and appraisals, over half of the executives believed their agency's SES performance appraisal system (1) had minimal effect on performance, (2) had not improved communication between superiors and subordinates, and (3) was not worth its cost.

To encourage excellence in senior executives' performance, the act provided that career executives could receive bonuses. The act limited the number of bonuses to 50 percent of the total positions allocated to each agency. Because of concerns that agencies were awarding too many bonuses in the first year, the Congress reduced the number of SES members who could receive bonuses from 50 to 25 percent. In July 1980, OPM further limited bonuses to 20 percent. The 20-percent limitation was subsequently included in appropriation bills for fiscal years 1982 and 1983.

Agency officials told us that performance appraisals are used in deciding who receives bonuses and awards. Similarly, a majority of senior executives surveyed during our review of SES performance appraisal systems believe their ratings were used at least to some extent, in bonus and award decisions. However,

the personnel officials and senior executives both believe that because of the restriction on the number of senior executives who can receive bonuses, the act's motivational goal is not being achieved. Both groups are also concerned with the fairness of bonus and award systems because they believe that factors other than performance are considered in making awards. We reported on this perception in September 1981 and found it still exists during our recent work.

The limit on bonuses contained in appropriation bills has not been renewed for fiscal year 1984. OPM, however, is issuing guidance which will restrict the number of bonuses to between 30 and 35 percent of an agency's career appointees. While the increase in the number of SES members who can receive bonuses will alleviate, to some degree, the concerns expressed with bonuses, some of the negative feelings directed at the limitation contained in appropriation bills may continue because OPM's proposal is still below the number allowed in the act. We received many comments from SES members that such bonus limitations represent a "breach of contract."

The act provided that poor performers identified through the appraisal process would be reassigned, transferred, or removed from SES. We found, however, that very few senior executives have received less than fully successful ratings since the creation of SES. Further, we found very few actions taken to deal with individuals identified as performing poorly.

Agency personnel officials told us that SES members may be reassigned to positions which agency officials believe are more suited to their talents--a remedy called for in the act--even though they may not be given unsuccessful ratings. Early retirement--another option for individuals removed from SES for poor performance--also seems to be used. Between July 13, 1979, and June 30, 1983, 204 SES members retired early. Two retired early under the poor performance provision, 135 retired early because of an agency-initiated action such as their position was abolished or they refused to accept a geographic reassignment. We found that while the 135 were generally rated fully successful, they were rated lower as a group than SES members as a whole.

AGENCY FLEXIBILITY IN
MANAGING EXECUTIVE RESOURCES

The Civil Service Reform Act made two changes that gave agencies greater flexibility in managing executive resources:

- (1) the authority to establish and fill executive positions and
- (2) the rank-in-person system which increased agency flexibility to reassign executives.

The act established a biennial allocation process under which agencies request slots for 2 fiscal years. OPM then allocates slots within the 10,778 limit set by the Congress. Each agency establishes and fills positions it believes appropriate. OPM has oversight responsibility to assure that positions included in SES are justified. OPM's oversight mechanisms include

(1) the review of agency justifications for the number of SES slots, (2) the Qualification Review Board's review, and (3) onsite evaluations conducted by OPM program officials.

We found that OPM's oversight mechanisms may not be adequate. The review of agency justifications for requested slots has limited effectiveness because once OPM allocates an SES slot, the agency has the authority to use the slot for a position other than the one used for the justification. OPM's Qualification Review Board process is limited because it only takes place when a position is being filled by a new SES appointee--positions filled by reassignment are not reviewed. OPM's onsite evaluations are limited by staff availability and the short time the staff spends onsite--usually 2 weeks or less.

Of all SES provisions, perhaps none has created more controversy than the increased flexibility to reassign. Agency managers are pleased with the SES reassignment provision and the number of reassignments is increasing. Senior executives, however, feel that they are not protected from arbitrary actions to the same extent they were under the pre-Civil Service Reform Act system and would like a greater voice in their reassignments. They are also concerned about geographic relocations, which can involve large out-of-pocket expenses. Legislation has recently been introduced (H.R. 3852) which would increase the amounts

paid by the government for geographic relocation. If this bill is enacted, we believe senior executives would be more adequately compensated for the costs of relocations.

SES POLITICIZATION SAFEGUARDS

In terms of the act's goal of providing an SES free from improper political interference, congressional concerns when the act was being considered were two-fold: first, that too many noncareer executives might change the overall nonpartisan nature of the civil service; and, second, that new agency administrators would not take time to properly assess career senior executives before making decisions on their performance or reassigning them to new or different duties. We found that the safeguards specified in the act have been adhered to:

- The number of noncareer senior executives has not exceeded 10 percent of all SES positions or the restriction set for each agency.
- The number of limited term and emergency appointments has never exceeded 1 percent of SES positions--well below the 5-percent limit.
- There were no indications of widespread abuse of the 120-day get acquainted period during which actions that new administration officials can take with SES members are limited.

MANAGERIAL COMPETENCY

To improve managerial competence, the act provided for the establishment of executive development programs. We found that

executive development programs have generally received high marks from personnel officials, SES incumbents, and SES candidates. SES candidates told us that the development programs have better prepared them to take on SES level responsibilities. SES incumbents told us that agencies' incumbent development activities have helped them perform their jobs better.

Personnel officials did point out, however, that, although recruitment from among the ranks of GS-15s is not a problem, SES pay and benefits are not adequate to attract and retain top quality managers from the private sector. A related problem personnel officials pointed out was the difficulty they have recruiting individuals in the technical/scientific fields. Agencies frequently offer SES positions to attract these individuals, however, since SES is comprised of managers, it is sometimes difficult to justify the managerial qualifications of scientists.

Let me conclude by expressing the view that, in general, progress is being made in achieving the Congress' objectives in establishing SES. Agencies have greater flexibility in using their executive resources; management processes are being rationalized and improved as executives establish their individual performance goals; it is easier to deal with ineffective managers; and greater emphasis is being placed on executive development. Some SES members, however, are concerned with how

agencies are using their enhanced management abilities. Undeniably, there are problems that require attention. It is difficult to say how widespread these problems are.

Finally, I would like to share with you a personal view of SES, based on my private sector experience. In the private sector, I was able to hire and retain quality people by paying adequate salaries. I recognize that the degree of flexibility in paying salaries and bonuses that exists in the private sector is not feasible in the federal government. However, the act provided for positive changes in these areas which have not come to pass. Limitations have been placed on salaries that can be paid to executives. These limitations have adversely affected the government's ability to hire and keep top quality executives. Agency managers have been hamstrung in their ability to reward deserving individuals because of the limitations that have been placed on the number of executives that can receive bonuses. In my view, such salary and bonus limitations may adversely affect the act's goal of developing a highly competent executive corps.

I endorse raising the number of bonuses that can be awarded as OPM suggests in its guidelines which would provide for a 30 to 35 percent limit. I recognize that the current limit of 20 percent was set because of the perception that too many bonuses were being awarded during the first year. I expect that the agencies have learned a lesson and will be more prudent in the future. I would also like to point out that it would not be

costly to give more bonuses. For example, based on the average bonus award in fiscal year 1982, increasing the number of bonuses to 40 percent of the career SES members would cost \$14 million. Increasing the number to 50 percent would cost \$18 million. Such increases are small in relation to the federal payroll but could do much to alleviate SES members' negative views on the bonus program and help achieve the act's goals.

Accordingly, I believe it would be prudent to increase the number of positions eligible for bonuses by 5 to 10 percent each year for the next few years until they reach the 50-percent limit envisioned by the act. If OPM declines to take this step, which in my view would increase the probability of maintaining a highly competent executive corps, the Congress may wish to act to do so. I would offer the services of our Office to provide the Congress continuing assurance that the agencies are administering the bonus program fairly and equitably in the future.


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This concludes my prepared remarks; I will be happy to answer any questions you may have.

HEARING
CIVIL SERVICE SUBCOMMITTEE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
U.S. HOUSE OF REPRESENTATIVES

STAT

7 November 1983

 summary of questions asked by Congresswoman Patricia Schroeder (D., CO), and answered by Mr. Charles A. Bowsher, Comptroller General of the United States.

Q. SES annual leave provision of Act O.K.?

A. SES incumbents love it--data so far indicates +/- 105 hours a year being added on average--from Congressional viewpoint, it is a ticking time bomb because of very large terminal leave payments that are being accumulated.

Q. SES Performance Appraisal System O.K.?

A. Not the best, but system now in place and every year gets a little better, so I am not totally negative on it--in industry, a good system takes +/- 10 years from inception to really pay off.

Q. What % of SES incumbents are dissatisfied?

A. While lots of dissatisfaction, Government Accounting Office (GAO) reviewers who worked on study did not find much support--probably reflects "vocal minority" to large degree.

Q. Improper use of SES reassignments?

A. Very limited and narrow dissatisfaction--on balance, we found no substantial evidence to support concern:

1,100 SES reassignments in FY 1983, only
170 geographical relocations.

Q. Number of early retirements O.K.?

A. No hard evidence--very few poor performance early-outs cited. Of more concern is the 79-83 number of young SES officer resignations (non-political).

Q. All Reagan Administration policy-making jobs above SES level?

A. Probably, and it is a problem. Too many campaign employees input as Schedule "C" employees, although total % as part of SES has never gone above the 10% Congressional threshold.

Q. How good an oversight job is Office of Personnel Management (OPM) doing?

A. Two areas where trouble, but need more staff.

Q. Re bonuses, what is problem?

A. Basically, change down from 50% participation to 20% had largest negative impact on incumbents.

Q. How does 20% limitation affect the other 80%?

A. Over 3-5 year period. may be security blanket for non-performers. Top performers always do well. If 50% eligible, the non-performers will become more visible.

Q. Will Act help SES risk-taking and productivity?

A. Awful hard to tell. At 20% the answer not clear. System at 50% would motivate the remaining 80% move to gain share of larger pool.

Q. Do you believe this 50% issue is a very important and fundamental issue?

A. Yes, I do.

Q. More important than annual leave accumulation provision?

A. Yes--a good trade-off if one necessary--more bonus opportunity will probably reduce migration of SES corps (non-political).

Q. Why retreat of +/- 250 SES's to GS-15?

A. Lack of security, if anything, but not at all clear.